

SECTION III – REPORTING
CHAPTER 4 – AUDITORS’ MANAGEMENT REPORT (AMR)

**AUDITORS’ MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Auditors’ Management Report on Administrative Findings - Financial, Compliance and Performance (Auditors’ Management Report), is the auditors’ report to the board of education of their findings and recommendations as a result of the audit. It is issued separately from the CAFR and has the same due date for submission of November 6, 2002. The report presents the recommendations immediately after the comments. Since the Department is receiving a separate list of recommendations via the audit synopsis, repeating the recommendations as a separate list in the Auditors’ Management Report is optional. Auditors should verify the desired format with their clients. This section provides a sample of the Auditors’ Management Report. **It is not meant to be a boilerplate and should be adapted to the circumstances of the individual district audit.**

The standard format includes

Table of Contents,
Report of Independent Auditors,
Comments
Findings and Recommendations
Schedule of Meal Count Activity
Schedule of Audited Enrollments

- A. The Table of Contents is for organization purposes and is included to assist the reader in reviewing the report.
- B. The Report of Independent Auditors provides the reader with the basis and intent of the report as well as its distribution. The sample provided in this appendix may be expanded to include an opinion on the report if that is the individual firm's policy. Either format would be acceptable by the Department of Education. The report should contain both the firm name as well as the signature and license number of the public school accountant. The report should be on firm letterhead and dated the same as the auditor’s reports included in the CAFR.
- C. The Comments, Findings and Recommendations section includes both general comments that are required for all districts regardless as to whether there is an accompanying recommendation and other items noted during the audit that require comments and recommendations, including a repeat of any items contained in a separate schedule of findings and questioned costs included in the single audit section of the district's CAFR. The comments and recommendations must be specific under the following applicable headings:
 1. Administrative Practices and Procedures
 2. Financial Planning, Accounting and Reporting
 3. School Purchasing Programs
 4. School Food Service
 5. Student Body Activities
 6. Application for State School Aid
 7. Pupil Transportation
 8. Facilities and Capital Assets
 9. Miscellaneous
 10. Follow-up on prior year findings

Recommendations must be included for all negative comments and areas of noncompliance cited, and at a minimum they are to be grouped in the above headings. The auditor may use subgroupings within these headings.

Comments must include discussion on the following areas and detailed examples are shown on subsequent pages:

Fire Insurance Coverage

Surety Bonds as to Adequacy (see Note and table below)

Whether appropriate billing adjustments have been made for tentative and actual tuition charges.

Examination of Claims

Salary Accounts

That encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.

A certification that district funds were provided and expended in the proper GAAP account/code based upon audit testing of transactions. The comment must include a summary of the sample selection process, conclusions reached and additional procedures performed, if any.

Whether the district has accurately completed its requests for social security reimbursement for TPAF members.

Advertisement for bids in accordance with statutory requirements. A general statement that bids as advertised where required, with all exceptions listed is satisfactory. Any items of noncompliance should be listed and Title 18A:18A Public School Contracts Law should be quoted.

Limitation of Principal Amount of Bonds 18A:24-19.

The condition of the records, with both positive and negative findings for:

- A. Athletic Association
- B. Food Services
- C. Student Activity Funds
- D. Secretary and Treasurer (statuts of Secretary's accounting records must be noted)
- E. General Fixed (Capital) Asset Records

Note: The minimum requirements for the surety bond shall be such percentage of the current year's school budget as is required in the schedule set forth in *N.J.A.C. 6A:23-2.5*. In fixing the minimum bond, the nearest even \$1,000 shall be used.

Up to \$100,000	20% of Budget (Minimum \$10,000)
\$100,000.01 to \$250,000	\$20,000 + 15% of all over \$100,000
\$250,000.01 to \$500,000	\$42,500 + 13% of all over \$250,000
\$500,000.01 to \$750,000	\$75,000 + 8% of all over \$500,000
\$750,000.01 to \$1,000,000	\$95,000 + 4% of all over \$750,000
\$1,000,000.01 to \$2,000,000	\$105,000 + 2% of all over \$1,000,000
\$2,000,000.01 to \$5,000,000	\$125,000 + 1% of all over \$2,000,000
\$5,000,000.01 to \$10,000,000	\$155,000 + 1/2% of all over \$5,000,000
\$10,000,000.01 and upwards	\$180,000 + 1/4% of all over \$10,000,000

Per N.J.A.C.6A:23-2.5(c) "The independent school auditor shall verify the adequacy of the treasurer's surety bond which is required by N.J.S.A. 18A:17-32, and shall include appropriate comment, and a recommendation, if needed, in the annual school audit report."

Auditor recommendations which are not the result of a required comment or generated by a negative finding but rather represent suggestions to management should be grouped together and included at the end of the Auditors' Management Report in a section titled "Suggestions to Management". Management suggestions are not required to be included in the district's Corrective Action Plan.

- D. The Schedule of Meal Count Activity documents the number of meals claimed for reimbursement under federal subsidy programs in comparison to the number of meals verified during the audit. The schedule calculates an (over)under claim based on the differences between the counts and the rates effective for the year. A finding and recommendation should be included for any differences noted.
- E. The Schedule of Audited Enrollments provides a summary of the results of the audit testing of the Application for State School Aid (A.S.S.A.) and the District Report of Transported Resident Students (DRTRS). It documents the information reported on the A.S.S.A. in comparison to the district workpapers and compares the information in the district workpapers to the underlying supporting data, quantifying any errors noted. It also documents the information reported on the DRTRS and the amount verified. A finding and a recommendation should be included for any differences noted.

As a reminder, Government Auditing Standards require that the schedule of findings and questioned costs included in the single audit section of the CAFR present each finding in a format that addresses the condition (what is), criteria (what should be), effect (the difference between what is and what should be), cause (why it happened), and recommendation. When repeating the findings in the Auditors' Management Report, auditors may follow that same format or revise the comment to be consistent with the other items presented in the Auditors' Management Report. USOMB Circular A-133 (Section .510) states specific requirements on the reporting of audit findings in the schedule of findings and questioned costs. Auditors should reference this section in the cases where a federal single audit of the district is necessary.

N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditors' Management Report filed with the Department of Education. All findings must be included in that report of audit. A separate report to the board of education outlining findings not included in the report of audit is considered a violation of this statute. Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the Board's standard operating procedure. In such instances, the auditor must report the item as a finding, state that in his or her opinion no recommendation is necessary, and elaborate on the reason(s) for this opinion.

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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SAMPLE ONLY

Report of Independent Auditors

Honorable President and
Members of the Board of Education
_____ School District
County of _____, New Jersey

We have audited, in accordance with generally accepted audit standards and Government Auditing Standards issued by the Comptroller General of the United States, the general purpose financial statements **(N-1)** of the Board of Education of the _____ School District in the County of _____ for the year ended June 30, 20__, and have issued our report thereon dated _____, 20__.

As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is intended for the information of the _____ Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Licensed Public School Accountant
No. _____
Firm Name

Date _____

(N-1) The Report for districts which have implemented GASB 34 would refer to basic financial statements.

Administrative Findings - Financial, Compliance and Performance

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-13, Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Anne Edwards	Board Secretary/School Business Administrator Business Administrator	\$10,000.00
Michael E. Leonard	Treasurer	145,000.00

There is a Public Employees' Faithful Performance Blanket Position Bond with the Western Surety Company covering all other employees with multiple coverage of \$10,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C. 6A:23-3.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies.

Payroll Account (cont'd)

Finding:

Some employees were paid in excess of their approved contract amounts.

Recommendation:

All employees should be paid in strict accordance with their approved contracts.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

Finding:

District personnel did not perform an analysis of outstanding purchase orders at June 30 and prepare the separate listings of purchase orders comprising the balance sheet account balances for accounts payable and reserve for encumbrances. Numerous audit adjustments were needed to adjust the accounting records to properly reflect the true balances as of June 30, taking into consideration both the status of the orders at June 30 as well as their subsequent liquidation.

Recommendation:

Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered. All orders that will not be liquidated within the suggested time frame of 60 to 90 days of year-end should be cancelled. Reconciliations of the adjusted June 30 balances for accounts payable and reserve for encumbrances should be performed and the required schedules be prepared for the year end audit.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23-2.2(g)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. As a result of the procedures performed, a transaction error rate of 1.90% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Finding:

During our test of transactions it was noted that the district misclassified and misbudgeted professional development costs for non-instructional staff as Improvement of Instruction Services/Other Support Services-Instructional Staff - Other Purchased Professional and Technical Services. The expenditure and related appropriation was reclassified to Business and Other Support Services - Purchased Professional Services for financial statement presentation purposes.

Recommendation:

Districts should reference The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(g)*.

Finding:

The expenditure for substitute teacher salaries was not charged to the appropriate line item account in accordance with The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools. The amount was reclassified for financial statement presentation, resulting in a deficit in the proper line item account.

Classification of Expenditures (cont'd)

Recommendation:

Districts should reference The Uniform Minimum Chart of Accounts (Handbook 2R2) for New Jersey Public Schools and other available reference materials, such as the Budget Guidelines, for the proper classifications required to be in compliance with *N.J.A.C. 6A:23-2.2(g)*.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

Finding:

Bids received were not summarized in the minutes (N.J.S.A. 18A:18A-21).

Recommendation:

Bids received should be summarized in the minutes of the Board Secretary.

Finding:

Acknowledgment of the Board's receipt (non-receipt) of the Board Secretary's and Treasurer's monthly financial reports was not included in the minutes.

Recommendation:

The Board should acknowledge in the minutes receipt (non-receipt) of the Board Secretary's and Treasurer's monthly reports.

Finding:

Budget appropriations were greater than realized revenues and board authorized use of surplus. The Board Secretary was aware of the revenue shortfall at least six months prior to the fiscal year end, but did not request that the Board make corresponding adjustments and or/appropriate surplus in order to balance the budget.

Recommendation:

In the event of a shortfall in budgeted revenues, the Board Secretary should request that the Board adjust appropriations and/or make appropriations of surplus in order to balance the budget.

Finding:

Several budgetary line accounts were overexpended during the fiscal year and at June 30 despite the board secretary's monthly certification to the contrary (*N.J.A.C. 6A:23-2.11*).

Recommendations:

Approved budgetary line accounts should not be overexpended. The Board Secretary should not approve the issuance of purchase orders that would cause an overexpenditure in the line account to be charged, prior to the Board approving the requested transfer of additional appropriations to cover such orders.

The Board Secretary should file monthly certifications of the budgetary line item status which are consistent with the actual budgetary records.

Finding:

Payments were made prior to the receipt of goods.

Recommendation:

Payment should not be made until the receipt of goods.

Board Secretary's Records (cont'd)

Finding:

The general fixed asset records were not updated for the additions and disposals of general fixed assets made during the year.

Recommendation:

Once the general fixed assets account group has been established in the general ledger, it should be updated periodically (at least monthly) for additions and disposals.

Treasurer's Records

The following items were noted during our review of the records of the Treasurer.

Finding:

The Treasurer did not perform cash reconciliations for the general operating account, payroll account, or payroll agency account (N.J.S.A. 18A:17-36).

Recommendation:

Each month, the Treasurer should determine cash balances by performing cash reconciliations for the general operating account, payroll account, and the payroll agency account.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

The Treasurer should promptly deposit all cash receipts.

Finding:

The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation:

The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Elementary and Secondary Education Act of 1965 (E.S.E.A.), as amended by the Improving America's Schools Act of 1994

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. indicated the following areas of noncompliance and/or questionable costs.

Finding:

Salary charges were not documented each pay period. Allocated salary charges for teaching staff members were not supported by employee time sheets.

Elementary and Secondary Education Act of 1965 (E.S.E.A.), as amended by the Improving America's Schools Act of 1994 (cont'd)

Recommendation:

The allocation of salaries among federal/state grants should be supported by employee time sheets.

Findings:

Three A.B.C. computers and software costing \$3,300 were charged to Title I-Part A. These items were not labeled Title I nor were they located in the designated Title I classrooms. The computer equipment and software were located in an area utilized by the general school population. (Serial Nos. XXXXX, XXXXX and XXXXX)

Printing costs of \$1,200 for a brochure unrelated to E.S.E.A. were charged to the Title I-Part A grant.

Recommendation:

Only those costs associated with the federal/state grants should be charged to the grant.

Findings:

Due to Grantor balances were not returned/disposed of in accordance with the grant agreement.

Recommendation:

Due to Grantor balances must be returned immediately with the submission of the final grant expenditure report.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

The study of compliance for the special projects indicated the following areas of noncompliance.

I.D.E.A. Part B

Finding:

Separate accounting was not maintained for each approved project.

Recommendation:

The Board Secretary should maintain separate accounting with the account coding structure of the minimum outline for each state approved project within a federal/state grant program.

Finding:

Grant application approvals and acceptance of grant funds were not made by board resolution or recorded in the minutes.

Recommendation:

All filings of federal and state grant applications and subsequent acceptance of grant funds should be approved by board resolution and recorded in the minutes.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

DEPA Accounting

The school district's accounting records for Demonstrably Effective Program Aid (DEPA) were maintained in accordance with N.J.A.C. 6:19-4.2(b), which states that the district board of education must maintain separate program and service accounts at the school-level in the special revenue fund using the uniform grant project budget statement coding structure. In addition, budgeted DEPA allocations by school were equal to or greater than the original school allocation as listed on the State Aid printout.

School Purchasing Programs

Contacts and Agreements Requiring Advertisement for Bids

Note: Effective April 17, 2000, N.J.S.A. 18A:18A (Public School Contracts Law) was revised by P.L.1999, c.440 (originally known as Assembly bill No. 3519). The associated rules were drafted by the Department of Local Government Services, with consultation from the Commissioner of Education. Auditors are advised to follow the amended law when auditing procurements made after April 17, 2000. Information on the changes, the statute, and school contracts in general is available on the website <http://www.state.nj.us/njded/pscl/index.html>.

Auditors should refer to Section I, Chapter 5, Bids & Contracts/Purchasing which has been revised to include quotes of *N.J.S.A.* 18A:18A-3 and 4 amended April 17, 2000.

Effective April 17, 2000 and thereafter the bid thresholds in accordance with *N.J.S.A.* 18A:18A-3 (as amended) and 18A:39-3 are \$17,500 and \$12,800 respectively.

The board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of my examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. My examination did reveal however, that the following purchases were made through the use of state contracts:

Fuel Oil
Art Supplies
Microcomputers
Copy Machine Lease
Small Tools
Audio-Visual Equipment

Finding:

A Widget computer costing \$18,000.00, not manufactured in the United States, was purchased even though bids submitted for American made computers met the specifications (N.J.S.A. 18A:18A-20, amended). (Serial No. XXXX)

Recommendation:

American goods and products should be used where possible.

Finding:

Notice of revisions to bid specifications for purchase of telephone equipment (non construction contracts) was not provided to a vendor who had received a bid package. (N.J.S.A. 18A:18A-21c, amended)

Recommendation:

The district should notify any person who has submitted a bid or received a bid package of revisions to bid specifications. One of three permissible means of notification should be used a) in writing by certified mail, b) by certified facsimile transmission, i.e., the sender's facsimile machine produces a receipt showing date and time of transmission and that the transmission was successful or c) by a delivery service that provides certification of delivery to the sender.

Finding:

The purchase of a Fun video center costing \$19,500.00 and designated as made pursuant to a state contract was awarded to a vendor who did not have the state contract for the specific equipment purchased, according to the state contract award bulletin on file in the district's office.

Recommendation:

Contracts awarded to vendors pursuant to a state contract should be made for only those items specifically included in the state contract award bulletin for such vendor.

Finding:

Bids received, resulting in a capital improvement costing \$23,000.00, performed by MLA Construction Co., were not publicly unsealed and announced in the presence of the parties bidding or their agents (N.J.S.A. 18A:18A-21, amended).

Recommendation:

All bids should be unsealed and announced publicly in the presence of the parties bidding or their agents.

School Food Service

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

Finding:

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement vouchers were not timely filed, and meals claimed did not agree with meal count records resulting in an overclaim, as detailed on the Schedule of Meal Activity.

Recommendation:

Prior to submitting reimbursement vouchers to the U.S. Department of Agriculture, the meals claimed should be verified to the meal count activity records.

Applications for free and reduced price meals were reviewed for completeness and accuracy (note any exceptions). The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. **Sites approved to participate in Provisions complied with all counting and claiming requirements.** The required verification procedures for free and reduced price applications were completed and available for review.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education.

The cash disbursements records reflected expenditures for program related goods and services (note any exceptions). Districts with food service management companies are depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section F of the CAFR **(GASB 34 Model – Section G)**.

Auditor's Note: The AICPA Statement of Position 98-3, section 5.13 defines food commodities distributed as non-cash federal financial assistance. The total value of the commodities received as well as the value distributed by school districts must be reflected as revenue and expenditures, respectively, in the Schedule of Expenditures of Federal Awards.

In the event that commodity inventories are not maintained sufficiently to allow the auditor to include this activity in the financial statements and schedules, a negative finding and recommendation must be included in the Auditors' Management Report.

School Food Service (cont'd)

Also, in accordance with AICPA Statement of Auditing Standards (SAS) #70, as amended by SAS 88 (effective February, 2000) auditors must obtain an understanding of internal controls placed in service by service organizations whose services are part of the entity's information system. Food service management companies must have a service audit performed by an independent audit firm engaged by the food service management company. This service audit must report on the food service management company's control structure policies and procedures. It is the responsibility of the school district management to award contracts to a food service management company only if such a service audit report has been issued. The requirement for provision of the SAS 70 report has been incorporated into the standard Food Service Management Company Contract. If the local school district is unable to provide such a service audit to the local school district auditor, a negative finding and recommendation must be included in the Auditors' Management Report.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Finding:

The Board had no policy that clearly established the regulation of student activity funds.

Recommendation:

The Board should approve a policy establishing the regulation of student activity funds.

Finding:

Not all cash receipts were promptly deposited.

Recommendation:

All cash receipts should be promptly deposited.

Finding:

Not all cash disbursements had proper supporting documentation.

Recommendation:

Proper supporting documentation should be maintained for all cash disbursements.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2001 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

The district has adequate written procedures for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2001-2002 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the EDA grant agreement for consistency with recording EDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction.

Finding:

Revenue was recorded prior to signing of the EDA grant agreement.

Recommendation:

Grant revenue should be recorded only after the EDA grant agreement is signed.

Finding:

Contracts were awarded prior to signing of the grant.

Recommendation:

Contracts should only be awarded after the EDA grant agreement is signed.

Finding:

Funds were transferred from the capital reserve account to the capital projects fund prior to signing the EDA grant agreement.

Recommendation:

Funds may be transferred to the capital projects fund only after the EDA grant agreement is signed.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which is repeated in this year's recommendations:

Approved budgetary line accounts should not be overexpended.

(If there were no prior year findings, indicate "Not Applicable" in this section. Do not omit the section.)

Acknowledgment

We received the complete cooperation of all the officials of the school district and I greatly appreciate the courtesies extended to the members of the audit team.

SCHEDULE OF MEAL COUNT ACTIVITY
ANYTOWN SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 200X

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS VERIFIED	DIFFERENCE	RATE(a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regular Rate)	Paid	300,000	296,000	(4,000)	.26	\$(1,000)
	Reduced	50,000	48,600	(1,400)	1.81	(2,380)
	Free	5,820	5,000	(820)	2.21	(1,722)
	TOTAL	355,820	349,600	(6,220)		\$(5,102)
School Breakfast (Regular Rate)	Paid	125	125	-0-	.31	\$-0-
	Reduced	300	360	60	.95	53
	Free	3,868	3,808	(60)	1.25	(71)
	TOTAL	4,293	4,293	-0-		\$(18)
Special Milk	Paid	2,500	2,500	-0-	.145	\$-0-
	Free	7,500	7,500	-0-	Average Cost	-0-
	TOTAL	10,000	10,000	-0-		\$-0-
After School Snacks	Paid	350	350	-0-	.05	-0-
	Reduced	0	0	0	.28	0
	Free(Area Eligible)	475	501	26	.57	14
	TOTAL	825	851	26		\$14
TOTAL NET OVERCLAIM						\$(5,106)

- (a) Reimbursement rates are subject to annual change. **Rates indicated here are for illustrative purposes only.** See appropriate rates in Section II, Chapter 50 - Child Nutrition Program Requirements.
- (b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs.

SCHEDULE OF AUDITED ENROLLMENTS

ANYTOWN SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2001

	2002-2003 Application for State School Aid (10/15/01 data)						Sample for Verification						On Roll - Related Services			Private Schools for Disabled				Private Schools - Related Services					
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Sample for Verifi- cation	Sample Verified	Sample Errors	Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors	Sample for Verifi- cation	Sample Verified	Sample Errors			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared													
Half Day Preschool	12		11		1		5		5																
Full Day Preschool	25		25				8		8																
Half Day Kindergarten	99		99				10		9		1														
Full Day Kindergarten	113		113				9		9																
One	111		112		(1)		15		15																
Two	108		108				16		16																
Three	112		112				17		17																
Four	114		110		4		18		18																
Five	107		107				19		18		1														
Six	110		110				15		15																
Seven	111		111				16		16																
Eight	109		109				15		15																
Nine	110		110				16		16																
Ten	111	2	111	2			14	2	14	1		1													
Eleven	112	1	112	1			12	1	12	1															
Twelve	108	1	108	1			15	1	15	1															
Post-Graduate	22		22				3		3																
Adult H.S. (15+CR.)	12		11		1		1		1																
Adult H.S. (1-14 CR.)	11		11				2		2																
Subtotal	1,617	4	1,612	4	5	0	226	4	224	3	2	1	0	0	0	0	0	0	0	0	0	0			
Tier II-Elementary	21		21				4		4				8	8		16	10	9	1	5	5				
Tier II-Middle School	15		15				2		2				5	5		21	13	13		6	5	1			
Tier II-High School	18		18				4		4				4	3	1	18	13	13		4	4				
Tier III-Elementary	6		6				2		2				8	8		15	11	13	(2)	8	7	1			
Tier III-Middle School	8		8				3		3				9	8	1	19	12	12		5	5				
Tier III-High School	9		9				3		3				4	4		8	6	6		2	2				
Tier IV-Elementary	14		14				3		3				4	3	1	9	7	5	2	4	4				
Tier IV-Middle School	13		13				2		2				7	7		5	4	4		3	3				
Tier IV-High School	15		15				3		3				4	4		3	2	2		1	1				
Subtotal	119	0	119	0	0	0	26	0	26	0	0	0	53	50	3	114	78	77	1	38	36	2			
Co. Voc. - Regular	35	11	35	11			15	6	15	6															
Co. Voc. Ft. Post Sec.	6		6				2		2																
Totals	1,777	15	1,772	15	5	0	269	10	267	9	2	1	53	50	3	114	78	77	1	38	36	2			
							(a)	(a)					(b)					(c)					(d)		
Percentage Error					0.28%	0.00%					0.74%	#####					5.66%					1.28%			5.26%

Notes to Auditor:

(a) Sample size obtained from table in Section I, Chapter 3 of the Audit Program. Amount tested for each category obtained from workpapers provided by district.

(c) Sample size based on total contracts using the table in Section I, Chapter 3 of the Audit Program.

(b) Sample size based on related services students from on roll sample size.

(d) Sample size based on related services students from private schools sample size.

SCHEDULE OF AUDITED ENROLLMENTS

ANYTOWN SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2001

	Low Income			Sample for Verification		
	Reported on	Reported on	Errors	Sample	Verified to	Sample
	A.S.S.A. as	Workpapers as				
	Low	Low		Selected from	Application	Errors
	Income	Income		Workpapers	and Register	
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten	25	24	1	10	10	
Full Day Kindergarten	34	34		13	13	
One	32	32		14	14	
Two	35	35		12	10	2
Three	31	32	(1)	13	15	
Four	36	36		13	14	
Five	38	38		12	12	
Six	31	31		9	13	
Seven	38	36	2	14	11	3
Eight	36	36		14	15	
Nine	29	29		13	13	
Ten	28	28		14	14	
Eleven	36	34	2	16	16	
Twelve	35	35		18	17	1
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	464	460	4	185	187	6
Tier II-Elementary	3	3		1		
Tier II-Middle School	2	2		1		
Tier II-High School	4	4		2		
Tier III-Elementary	2	2		1		
Tier III-Middle School	1	1		0		
Tier III-High School	5	5		1		
Tier IV-Elementary	3	3		1		
Tier IV-Middle School	4	4		2		
Tier IV-High School	2	2		0		
Subtotal	26	26	0	9	0	0
Co. Voc. - Regular	5	5		3	3	
Co. Voc. Ft. Post Sec.						
Totals	495	491	4	197	190	6
				(e)		
Percentage Error			0.81%			3.05%

	Bilingual Education			Sample for Verification		
	Reported on	Reported on	Errors	Sample	Verified to	Sample
	A.S.S.A. as	Workpapers as				
	Bilingual	Bilingual		Selected from	Test Score	Errors
	Education	Education		Workpapers	and Register	
Bilingual Students	102	104	(2)	69	69	0
Percentage Error			1.96%			0.00%

III.4.18

Transportation						
	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by	DRTRS by				
	DOE/county	District				
Reg. - Public Schools, col. 1	1,425	1,425	0	217	211	6
Reg -SpEd, col. 4	301	301	0	50	48	2
Transported - Non-Public, col. 2	28	28	0	5	5	0
Special Needs, col. 13	35	35	0	7	6	1
Totals	1,789	1,789	0	279	270	9
				(f)		
Percentage Error						3.23%

Notes to Auditor:

(e) Sample size based on total low-income students listed on workpapers using table in Section I, Chapter 3 of the Audit Program.

(f) Sample size obtained from table in Section I, Chapter 3 of the Audit Program

	Reported	Re-Calculated
Avg. Mileage - Regular Including Grade PK students	8.7	8.5
Avg. Mileage - Regular Excluding Grade PK students	8.5	8.4
Avg. Mileage - Special Ed with Special Needs	12.4	12.2